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The Economics of National Standards

*a research report prepared for the
Government of Ontario by*

Lars Osberg
Economics Department
Dalhousie University

March 1992




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"The quality of education and welfare services is no longer a matter of purely provincial and local concern. In Canada today, freedom of movement and equality of opportunity are more important than ever before, and these depend in part on the maintenance of at least minimum national standards for education, public health and care of the indigent. The most economically distressed areas are the ones least capable of supporting these services, and yet are also the ones in which the needs are likely to be greatest. Whether the remedy lies in emigration from these areas or in the development of alternative means of livelihood, they must not be allowed to become backwaters of illiteracy and disease. Not only national duty and decency, if Canada is to be a nation at all, but equity and national self-interest demand that the residents of these areas be given average services and equal opportunities -- equity because these areas may have been impoverished by the national economic policies which enriched other areas, and which were adopted in the general interest. Those whose interests were sacrificed have some claim that the partnership should work both ways. National self-interest demands it because the existence of areas of inferior educational and public health standards affects the whole population, and creates many grave and dangerous problems. More fortunate areas cannot escape the pressure on their standards and the effect on their people; in this case prevention, in both fiscal and human terms, is much cheaper than the cure."

Report of the Royal Commission on Dominion -- Provincial Relations, Book 2, page 128 (Rowell -- Sirois, 1940).

Just over 50 years ago, the Rowell Sirois Commission advocated the adoption of national standards in Canadian social policy and proposed fundamental reforms to the Canadian system of Public Finances and Intergovernmental Relations. To what extent are their arguments still valid today?

Although primitive agricultural economies can survive without a complex system of standards, modern industrial societies cannot function without them. In modern life, a whole series of standards regulate issues as diverse as the manufacture of nuts and

bolts or computer interfaces and classify everything from grades of wheat to the skills of welders. What is special about "national standards" in social policy?

In some countries, (e.g., the U.S., Australia) federal legislation imposes very detailed requirements on the states' administration of cost-shared programs. In Canada, "national standards"¹ are relatively few and fairly imprecise. For practical purposes, do national standards in Canada "matter"? In whose interest is it to maintain national standards?

This essay begins with a discussion of the case against national standards. Section 1.1 considers the theoretical world described by the Tiebout model of "jurisdiction shopping" and, like most of the public finance literature, emphasizes that decentralized decision-making by local governments can be expected to produce optimal outcomes only under very special (and unrealistic) assumptions. When the activities of one jurisdiction can create significant costs for other jurisdictions, there is a case, on efficiency grounds, for the establishment of national standards, and section 1.2 argues that such externalities will be pervasive when people are free to move between jurisdictions. Section 1.3 considers the impact of national standards on horizontal equity, vertical equity, intergenerational equity and equality of opportunity.

¹Since national programmes (like Canada Pension Plan) necessarily contain national standards, this paper focuses on the more problematic issue of national standards in provincially administered government services. Although some system of financing is clearly required for any set of social services, this paper's focus is the impact of national standards in programme delivery. The issue of interprovincial variation in tax regimes or fiscal capacity is not considered -- hence this paper does not address the possibility of capital mobility between provinces motivated by the tax burden required to finance services. Clearly, however, some equalization of fiscal capacity is a prerequisite for national standards in provincial programme delivery.

Since national standards have in practice taken a variety of forms, Section 2 considers some specific programmes, each of which raises a somewhat different set of theoretical and practical issues. Section 2.1 discusses national standards in health care in Canada while section 2.2 considers the Canada Assistance Plan and national standards (i.e. lack of) in social assistance and social services. In section 2.3, the current system of informal harmonization of provincial educational standards is compared to a possible regime of formal federal standards. Section 2.4 discusses the standardization that is implicit in the emerging "case law" of federally mandated environmental impact assessments. Section 2.5 is an overview which stresses the reasons why voluntary harmonization of standards can work in some policy areas, but not in others.

Since the implications of the erosion of national standards (particularly in health care and social assistance) is likely to be significantly different for Ontario, for Quebec, or for other provinces, section 3.1 focuses on the special situation of particular provinces. Section 4.1 is a broader discussion of the political implications of the debate on "national standards" while section 4.2 argues that a 'Social Charter' may be required if we are to retain the equity and efficiency advantages of national standards.

1.1 Voting With One's Feet

In the economics literature, the case against national standards is associated with the theoretical model of C.M. Tiebout, who argued in 1956 that competition among jurisdictions, and "jurisdiction shopping" by individuals, could together imply that the market for local public services would operate like any other competitive market. Tiebout's contribution was to emphasize the diversity of preferences that exist in society and the fact that many of the services which local governments provide are not the classic "public goods" (such as defence or basic research) for which market prices cannot be charged, because no individual can be excluded from their benefits. Instead Tiebout argued that most of the services which local governments actually provide (e.g., schooling, local parks or municipal beaches) have benefits which are quite limited in extent. Furthermore, the optimal scale of local public services depends on the balance between fixed costs of production and the diseconomies of congestion.

If individuals are mobile and shop around for the combination of local taxes and local services that best suits their own preferences, and if local governments try to minimize costs, individuals with similar preferences will tend to congregate in particular jurisdictions, which will specialize in the production of the type of local services they desire. Local governments will try to attract more population (e.g. by lowering taxes) if they are below the optimum size for the production of their particular basket of public goods, and will, if necessary, use devices such as exclusionary zoning regulations to prevent their population from growing too large. Tiebout argued that the market for local public services will function as an analogue of the market for other goods and

services, as individuals vote with their feet whether to consume particular combinations of local government services. Since the end result is that like-minded individuals will congregate together, local jurisdictions will offer a diversity of local public services. This implies that national standards are undesirable constraints on freedom of choice, which diminish social welfare.

In the section on "Federalism" in public finance textbooks it is now common practice to set up the Tiebout model as a straw man, list a few of its many theoretical and practical difficulties and conclude that although the model is of limited general relevance, it may represent an insightful analysis of local municipal government behavior in some U.S. metropolitan areas. (see for example, Rosen, 1988; Stiglitz 1986 or Boadway, 1984). Some authors point out that the number of competing communities must be very large if there is to be effective competition and if all types of individuals are to locate the jurisdiction which matches their preferences. Others argue that one cannot expect municipalities to behave like profit maximizing firms, since that is not necessarily what voters rationally prefer. The Tiebout model also assumes away the problem of finding a job close to one's place of residence (indeed the original article assumed that all individuals live off dividend income), although any reallocation of population across jurisdictions will have general equilibrium impacts on labor markets and earnings. Empirically, one can easily observe dramatic differences in income and in desired public services within municipalities, contrary to the Tiebout model.

However, the major argument against the optimality of the Tiebout model, and a major reason for the existence of national standards, is the social inefficiency of fiscally induced migration. Individuals who are fortunate enough to have rich neighbours benefit because the greater tax base of their community enables the community either to supply more public services or to set lower tax rates, or both. These benefits provide an incentive to other individuals to move into a high income jurisdiction, and one can expect such migration to continue until increasing congestion in the destination region entirely eliminates any initial advantage it might have had in the net benefits of public services. Since such dissipation is socially inefficient, it is desirable to maintain some constraints on local governments -- i.e. national standards.

As Wildasin (1991) notes, the migration-inducing effects of differential benefit levels in sub-national jurisdictions creates an inefficient allocation of resources. Whether by constraint or by subsidy, "benefit levels for the recipients of income transfers and tax rates on mobile taxpayers should be equalized across jurisdictions" (1991:757)² - even if tastes for redistribution vary by region.

1.2 National Standards and Economic Efficiency

In discussing economic efficiency, some economists emphasize allocative efficiency, or the maximization of aggregate output obtained from a given set of inputs using a given technology at a point in time, while others focus on dynamic efficiency,

²Burbridge and Myers (1991) argue that this cannot be achieved by voluntary inter-regional payments.

defined here as the maximization of aggregate output over time. Static, allocative efficiency is important because even with the same total stock of resources, society can often do better by reallocating resources to more productive uses. In the longer term, however, the attainment of dynamic efficiency, through the rapid adoption of technological change and reinvestment of capital, offers larger gains in growth of labour productivity and total incomes. By facilitating the operation of a national labour market, national standards improve economic efficiency, in both senses.

From the point of view of allocative efficiency, national output will be maximized if individuals move from regions where their productivity is low to regions where it is higher. The net efficiency gain of such a move is the difference between a migrant's productivity in origin and destination regions -- to be exact, the expected present value of the increase in their productivity over their future working life, minus the fixed costs of moving. If there were no taxes, and no public services, individuals might be guided by market signals to the place where they would add the most to national output, but rational individuals in the real world will look for the place where their personal net income -- i.e. total earnings minus taxes paid plus public services received -- is greatest.

One of the major rationales for inter-provincial equalization payments (see Boadway, 1991) is the fact that local jurisdictions with high incomes will be able to set a lower tax rate and still provide an adequate level of public services and/or may provide more public services. Even if an individual had the same productivity in (for example) New Brunswick and Ontario their personal net income would be higher in

Ontario because of lower taxes and better services. Although it might pay an individual to move to Ontario, because of its lower taxes and better services, doing so would add to labour supply in Ontario, and depress the equilibrium wage. If individuals are guided in their migration decisions by calculations of personal economic advantages, however, migration will continue until the Ontario wage for migrants is pushed sufficiently lower to counter-balance the greater public services/lower taxes initially available there. The economic inefficiency created by such fiscally induced migration has a cost equal to the present value of the difference (i.e. the decline) in the migrant's productivity discounted over the migrant's future working life, plus the fixed costs of moving.

Section 36 of the 1982 Constitution now mandates equalization payments to the poorer provinces, in order to ensure that all provinces can provide comparable levels of public services at comparable rates of taxation. Our current constitution therefore attempts to eliminate the inefficiencies of fiscally induced migration within the Canadian economic union.³ In general, the economic efficiency of the Canadian economic union will be maximized if the incentives which individuals face to migrate between provinces reflect as exactly as possible their potential productivity in different jurisdictions, and not the spending or taxing decisions of governments.

However, although full equalization of the fiscal capacity of provinces would imply that on average differences in personal net income between provinces reflect

³In practice equalization payments do not fully equalize fiscal capacity, due to the use of the "five province standard", among other things (see Hobson, 1991).

only differences in productivity, no real-world individual cares about differences in average taxes or average services. What each of us actually cares about is the particular taxes and government services that we personally are likely to pay and to consume.⁴ In considering whether to take a job elsewhere, with higher pay, the parents of school-age children are interested in whether schools will be of comparable quality. People with health problems want to know if they can expect a comparable quality of medical care, if they move. And those whose income prospects are uncertain will be more likely to move to a better job elsewhere if the safety net of social assistance offers a comparable level of security, should things not turn out as well as hoped. In all these cases, the efficiency of the Canadian economic union will be increased if people pay primary attention to the pay and prospects of the jobs they could get in the origin and destination provinces -- but it is rational for people also to pay close attention to any differences in the public services which are particularly important in their specific circumstances.

Equalization payments to poorer provinces are not, therefore, enough to guarantee an efficient national labour market, undistorted by differences in the net fiscal benefits obtainable from government. In addition to equal average net fiscal benefits, an efficient national labour market requires comparability in the major public services which are particularly important to major segments of the population. -- i.e. national standards.

⁴In the jargon, what people care about is not the not fiscal residuum of the "representative person", but their own personal fiscal residuum.

Currently, Canadians often move thousands of miles to accept new jobs -- usually without much consideration of whether the education of their children or their health care will suffer. Broad comparability of education and health care services -- i.e. national standards -- is taken for granted. The benefits of such mobility are not limited to the gains in allocative efficiency which occur when employers find exactly the right person for the job. As Harris and Purvis (1991) have emphasized, much of the best practice technology of a rapidly changing society is embodied in people. The mobility of labour within a flexible national labour market is one of the major routes for the diffusion of technological change. In the absence of national standards, labour mobility would decline, implying a decrease in the diffusion of technology it entails, and less dynamic efficiency.

If the mobility decisions of a significant fraction of the population (e.g. the parents of school age children) were to be substantially influenced by differences in the quality of a particular government service, the social cost would be both the excess migration of those who migrate to take advantage of the service (despite their best economic option being to stay put) and the excess immobility of those who refuse to move to better jobs because of poorer services elsewhere. As Akerlof, Rose and Yellen (1988) have emphasized, when a worker moves to a new job, he/she leaves a vacancy, which is typically filled by the job/job mobility of another worker, whose job leaving creates another vacancy. This "mobility chain" continues until a worker is hired from the pool of the unemployed. At each stage of the job/job mobility chain, people are moving voluntarily, because there is something better about the new job -- i.e.

there is a net gain at each stage. Conversely, the creation of impediments to mobility prevents not only initial moves, it also cuts off the subsequent ripple of job changes which follow. Since schooling, health and social assistance services can be very important to specific families at specific times, inter-provincial divergences in the standard of these services have the potential for significant impacts on the efficiency of the national labour market.

Migration which is motivated by government service levels and not by higher productivity is socially inefficient at all income levels, but the argument against fiscally induced migration acquires particular force when one considers individuals who depend on governmental transfer payments or the receipt of government financed services, such as medical care. If there are large differences between jurisdictions in their level of social assistance payments or in publicly provided services, communities which provide generously for the poor and the sick can expect substantial migration flows from other less generous jurisdictions. As Peterson and Rom (1988, 1990) report, the empirical evidence indicates that (a) differentials in social assistance levels among U.S. states do have some effect on interstate migration flows and (b) interstate differentials in social assistance are muted by the fact that state legislators restrain local assistance levels because they anticipate immigration of social assistance clients.⁵ In a world of

⁵Peterson and Rom (1990) provide a survey of the literature on the impact of welfare payments on interstate migration, noting that early studies often failed to find a statistically significant relationship. However, they argue that recent evidence has emphasized the substantial "churning" that occurs within the welfare population -- a substantial fraction of the population is 'at risk' of occasional welfare dependence. Hence it is the mobility of this 'at risk' population which is of interest, not just the mobility of current welfare clients. Furthermore, the issue of interest is net migration

competing jurisdictions, social welfare policies have important inter-jurisdictional externalities. The sick and the poor represent financial liabilities which each jurisdiction, for budgetary reasons, would like to offload on "someone else" -- downward harmonization of welfare benefits is the result.

1.3 National Standards and Economic Equity

The term "equity" can have a number of possible meanings. By "horizontal equity" in taxation and spending, economists usually mean the principle that individuals in like circumstances should be treated alike, by the spending and taxation decisions of government -- for much the same reason that section 15 (1) of the Charter of Rights assigns to individuals the right to "the equal protection and equal benefit of the law without discrimination". The concept of "vertical equity" refers to the degree of equality in the distribution of income, wealth and utility among the current members of society. A third dimension of "equity" is the ideal of "equality of opportunity" for the members of each new generation. And a fourth dimension of equity is the concern we have for fairness between different generations. National standards can have significant impacts on all these dimensions of "equity".

With respect to horizontal equity, section 1.2 has already noted that the particular circumstances of individual households can imply that the quality of particular

over a period of years (i.e. both those attracted to generous jurisdictions and those who do not leave), not gross migration in a given year. They use cross-sectional econometric evidence and case-study analysis to argue the case that higher social assistance benefits in U.S. states function as a welfare magnet, attracting a low income population from other states.

government services may be especially important. If the quality of schooling or medical care differs significantly between provinces, those households with school age children or whose members require medical care will find, even if their post-tax money incomes are similar, that the net benefits of government provided services differ significantly by provincial jurisdiction. As already noted, the implication for economic efficiency is that migration decisions, if national standards do not exist, will be influenced by factors irrelevant to economic productivity. The implication for horizontal equity is that the accident of provincial residence will determine the net benefits which otherwise similarly situated households will receive -- to the extent that national standards in major social programs break down, households of similar total income and similar personal circumstances will not receive "the equal benefit of the law without discrimination".

With respect to vertical equity, social assistance payments are explicitly redistributive, to the very poorest members of society. Peterson and Rom: (1980:82) argue, on both theoretical and empirical grounds, that in the absence of national standards "state and local governments in a federal system will tend to provide less income redistribution than a national government would. Each state government acts as if it prefers that welfare services should be provided by other governments and fears that its state will become attractive to poor people if it provides generous benefits." To the extent that national standards prevent such downward harmonization

of social assistance levels, national standards have a direct impact on vertical equity.⁶

More generally, the entitlement of individuals to educational services and health care are broadly redistributive from rich to poor since these programs represent per capita entitlements. To the extent that all individuals have equal access to these services and receive an equal level of service, they represent in kind "demogrants", of equal monetary value to all individuals, which are financed from a tax system whose total burden is roughly proportional to total income. As such, the net impact of national standards which maintain the level of such per capita entitlements is to redistribute resources from more affluent to less affluent members of Canadian society.

However, it is also useful to distinguish between the redistributive impacts of national standards in accessibility (i.e. the probability of receipt of government provided services) and national standards in the level or quality of such services, for those who receive them. Although governments may be indifferent, in a budgetary sense, between a given expenditure which increases the percentage of the eligible population who actually receive a particular government provided service or a similar expenditure which improves the quality of service for that fraction of the population who already receive the service, individuals are unlikely to be indifferent. Improving accessibility (i.e. increasing the probability of receipt of government provided services) will be of special importance for the relatively poor, since (unlike the rich) they do not have the option of purchasing a privately supplied substitute service. For example, in a two tier

⁶As Section 2.2 discusses, in fact Canada does not have much by way of national standards in social assistance.

system of private and public hospitals, as in the U.K., the rich can always purchase speedier service at private clinics but the poor have no option but to wait in the general queue for services.

In a mathematical sense, the probability of receipt of a service multiplied by the cost of that service is the expected value of the service. If (and only if) individuals are risk neutral, the utility which they derive from a government provided service will depend purely on its expected value, implying that national standards in accessibility are conceptually indistinguishable from national standards in any other dimension of public services. However, most economists recognize that it is more realistic to assume that individuals are risk averse -- i.e. willing to pay some price for greater security.⁷ Furthermore, it is likely that risk aversion is greater for lower income groups -- those who have the least to lose are often the most concerned not to lose what little they have. If risk aversion increases as incomes fall (see Machina, 1985), improving the accessibility of publicly provided services yields especially large increases in utility for low income households.

A general increase in accessibility will imply some equalization of the expected value of income flows, since it increases the expected value of government services for everyone, but increases the expected value of taxes more for the rich than for the poor. A decrease in the class bias that in practice often gives upper income groups better accessibility to welfare state benefits than lower income groups would imply an

⁷Indeed, Garfinkel (1990:18) argues that "reducing insecurity is the critical objective of our social insurance programs. More broadly, reducing insecurity is what modern nation states are about."

even greater equalization of the distribution of expected income. However, in either case the equalization of expected income flows would understate the equalization of utility from income flows, since greater security of receipt is especially important for low income households.

National standards (especially in accessibility) are, therefore, important for vertical equity in the distribution of economic resources among existing households. Two further dimensions of equity remain -- equity, on average, between different generations and equity, in the sense of equality of opportunity, among the members of each new generation.

Equity between different generations is important because many of the environmental decisions which we take today will have implications which may be very expensive, or perhaps impossible, to reverse for many generations into the future -- for example our current decisions on the generation and storage of radioactive wastes. Although future, unborn generations cannot directly influence our present decisions, a large part of the concern which environmentalists feel over these issues is based on their concern for the well being of future generations -- the sort of world which we will leave behind for our children's children.

Since environmental decisions are necessarily collective decisions, they are necessarily political -- but which polity is the appropriate locus for decision making? Although some environmental decisions (like carbon dioxide emission) have global implications, many others are more limited geographically in their extent. However, one of the consequences of the existence of a national labour market is substantial

mobility of people from province to province between generations. Even if people only care about the future experiences of their own blood descendants, a high level of inter-provincial mobility means that they do not really know where their blood descendants will end up living. Hence it is reasonable, if they care at all about the environment which future generations will face, to care about the future environment of B.C. as well as the future environment of Ontario. Concern for inter-generational equity can, therefore, be seen as another ground for concern with national standards in environmental regulations.

Of all these dimensions of equity, equality of opportunity is the clearest. If we accept Canada as the relevant group for equity comparisons, and if we accept that education, health care and minimally adequate food, clothing and shelter while young are important determinants of an individual's future life chances, then it is clear that national standards in education, health and social assistance are necessary prerequisites for equality of opportunity on a national scale. If provincial programs diverge substantially, in either accessibility or quality of services, then the probability of a deprived childhood will inevitably vary by provincial jurisdiction. Canada's social programs do not now produce equality of opportunity, but to the extent that national standards in such programs exist, they do at least mitigate to some degree the inequality of opportunity between provinces.

Although many discussions of economic policy emphasize "efficiency" issues, with only a slight glance at "equity", such an emphasis is much less defensible when we are concerned with constitutional issues. The issue we are concerned with in

Canada today is the continued maintenance of our common polity. A continued perception of economic equity is central to the continued cohesion of a nation state, as well as to the acceptance and effective implementation of many of its policies. The relationship between economic equity and political boundaries is therefore reciprocal. The political boundaries of the nation state serve to define the set of individuals among whom equity comparisons are made and perceived grievances about economic inequity create social strains which can undermine the continued cohesion of the nation state. Economic equity is therefore central to the constitutional debate.

In emphasizing the connection between national standards and the mobility of labor and inequality of opportunity, the argument of the Rowell/Sirois report has stood the test of time. The efficiency advantages of a national labour market, the inefficiency of migration or immobility which is motivated by inter-provincial differences in government services and the importance of equity -- in all its senses -- remain the major economic arguments for national standards in social policy. It also remains true that in the absence of national standards "more fortunate areas cannot escape the pressure on their standards and the effect on their people".⁸

⁸In referring to areas "which may have been impoverished by national economic policies enriching other areas", one presumes that the Rowell Sirois report had in mind the devastation wrought by the depression on the prairie provinces, and the protection which Ontario manufacturers enjoyed under a national tariff. Clearly, in a free trade environment such historical justifications for national standards -- more precisely for the financially equalization necessary to achieve national standards -- is now historically obsolete.

2.1 The Canada Health Act

Intergovernmental financial transfers are characteristic of federal states, since in modern societies the valid objectives of different levels of government cannot be kept in separate water-tight compartments and since the revenue-raising capacity of levels of government rarely matches their responsibility for the provision of public services.⁹ However, although transfers to provincial governments now comprise about three tenths of the federal budget, most of these transfers occur through unconditional grants, such as equalization, or through block grants, such as Established Programs Financing. Even where program costs are shared between provincial and federal levels of government, as in the Canada Assistance Plan, program requirements for such transfers are extremely general (see Section 2.2 below).

In distinct contrast to the United States, where 94% of federal grants to the states are conditional on the states fulfilling detailed performance requirements, the clear philosophy underlying Canadian inter-governmental financial transfers is the transfer of financial resources and administrative responsibilities for program delivery to provinces, without a supervisory federal role. The Canada Health Act represents an exception to this philosophy, since it specifies clearly five criteria comprising "national standards" in health care insurance and a series of penalties if these

⁹Indeed, many authors agree with Boadway (1991) that although local governments should play an important role in allocation decisions, the redistribution and macroeconomic stabilization functions of government are most efficiently performed by central governments. Furthermore, the likelihood of tax competition among competing local jurisdictions makes it desirable for central governments to retain control of important tax bases (such as the income tax and to transfer some of the revenues to sub-national governments (see section 3.2 below).

standards are not met. To explain this aberration it is useful to recap the reasons why Canada's medicare system produces both superior national health outcomes and resource savings of about 2.1% of Gross Domestic Product (i.e., about 14 billion dollars per annum) for Canadian society -- and the reasons why it is a potentially unstable system, if national standards should begin to erode.

Many health economists argue that informational asymmetry is at the basis of the physician/patient relationship and is inescapable in the client/insurer relationship, with profound implications for how markets for medical services and medical insurance can work. Although buyers and sellers of lumber can both know exactly what is being sold and therefore can haggle informedly over prices, a patient buys diagnostic services from a physician because the patient does not know what is wrong and the physician is presumed to know. Hence, a patient can only apply crude credibility tests if the physician says "I'd better see you again next Monday" and markets for medical services are inevitably dominated by "supplier-induced demand".

Since medical services can be expensive, rational individuals will often want to insure themselves against the risk of catastrophic health expenses, but since individuals do know their own medical history and have some idea of their relative state of health (but have no incentive fully and truthfully to reveal to insurers their knowledge) private markets for individual health insurance are dominated by "adverse selection". At any given level of premiums charged for individual health care insurance, the relatively healthy will tend to choose not to purchase insurance while the relatively ill will find it worthwhile to buy -- in the extreme, someone who has tested

HIV positive will be willing to pay a great deal for health care insurance, but the insurance company is still unlikely to make a profit. Insurance companies can raise premiums to cover their losses, but higher premiums will tend to drive away their lower risk clients (i.e. the profitable ones).

The only way that private markets for health care insurance can work effectively is if low risk and high risk individuals are pooled by some criterion, unrelated to health, such as the fact that they all work for the same employer. Adverse selection, plus the administrative savings involved in group health plans (and, in the U.S., the tax deductibility of health insurance premiums) mean that it is cheaper for firms than for individuals to buy health care insurance, creating an incentive for employers to pay part of their employees wages as in kind benefits in the form of pre-paid health insurance. Since it remains true that patients have to trust their doctor's diagnosis and since someone else (the insurance company) is paying the bills, (and since the physician risks lawsuits if the patient is "under-serviced") the system generates ever increasing demand. - U.S. health care expenditure has risen from 5.3% of GNP in 1960 to 10.6% in 1985. (Manga, 1988:4)¹⁰

Although the majority of U.S. employees are covered by employer paid health plans, those working for small employers, the self-employed and the unemployed are left out of the system. However, the uncovered are a minority political constituency -- especially if the elderly are covered partially by Social Security under Medicare and

¹⁰Canadian health care expenditures also rose over the same period but by significantly less (from 5.5% of GNP to 8.6%).

some of the poor receive health care benefits under Medicaid. Despite the continued escalation of costs, pressure for reform is fragmented.

Private markets for health care insurance produce unconscionable social inequities in the denial of health care to a significant fraction of the population. Private markets also produce serious inefficiencies, in the competitive over-construction of hospital facilities and excess servicing produced by supplier induced demand, in excess administration costs created by the health care insurance bureaucracy and in the decreased labour mobility of a population whose health care benefits are contingent on continued employment, with a particular employer. In these markets, there is also a continual pressure on each individual insurer to shed risk -- as highlighted, for people with AIDS, in insurers' increased emphasis on pre-screening of potential clients and the non-coverage of pre-existing ailments. The reason for recapping the analysis of private sector health care markets is that one can expect the same equilibrium outcome if national standards in medicare start to break down and public health insurers start to behave like private insurers.

Public health insurers also have a continual financial incentive to shed risk. At the margin, cash strapped provincial governments always have an incentive to decrease the list of covered services (e.g., wisdom tooth extraction in Nova Scotia) and to withdraw from universality (see section 3.2). Countervailing public pressure is muted by the fact that, in Canada, many well-paid employee groups already have supplementary private health care insurance. As public coverage shrinks, it is administratively trivial, and potentially highly profitable, to expand the services covered

by supplementary private health insurance plans. Expansion of the role of the private sector creates both an enlarging political constituency for further expansion, and the argument that the public sector intervention should be focused more clearly on those who cannot otherwise afford the private sector.

Of course, if user fees are small, if non-insured services remain limited, and if non-coverage of individuals remains minor, the aggregate impact on both the Medicare system and on provincial government finances will remain small. Provincial governments will only start to realize major financial savings if comprehensiveness, universality and accessibility are undermined in a major way. However, if national standards did not exist, each marginal step to save provincial government health dollars might be hard to resist. And if a provincial government did succeed in saving significant amounts of money, this necessarily implies that significant risk is being transferred to the population. A transferral of health care risk from the public sector to the private sector would have both efficiency and equity impacts.

To the extent that a shrinking public health insurance system is replaced by an expanding private sector (via employer-paid health insurance plans), continued health insurance coverage for individuals will become dependent on their continued employment with a particular employer. Economic equity suffers because the burden of unemployment increases -- those who lose their jobs lose health care coverage, as well as losing their source of income. Economic efficiency is impaired because individuals who might be considering starting their own business, or changing employers, will lose health care coverage, which will increase the disincentives to

entrepreneurship and inter-firm labour mobility. Currently, Canadians make their decisions about job changes or self-employment without worrying about health care insurance issues, but such choices will become less attractive (and the labour market will be less flexible) if Canadians have to worry about premiums for individual health insurance or whether their pre-existing ailments will be covered by a new private health insurer.

To the extent that a shrinking public health insurance sector is not replaced by employer paid health insurance, individuals will assume the risk. Those individuals considering inter-provincial moves will naturally want to know how much a move will affect their liability for health care costs. If there are significant differences between provinces in coverage, those who reside in a province with relatively generous health insurance will demand a greater economic incentive to leave, or will refuse entirely to go, impairing the efficiency of the national labour market. As well, if people remain free to move between provinces and if public health care insurance remains a residence based entitlement, one has to expect greater inter-provincial migration to relatively generous healthcare jurisdictions. Someone who faces, in their province of residence, serious financial consequences from an ailment, be it heart surgery or AIDS, is going to look carefully at the possibility of establishing residence elsewhere, at least temporarily.

It is worth remembering that Ontario is uniquely vulnerable to immigration for health care reasons. Ontario and Quebec are the only provinces which share a major metropolitan area (Ottawa/Hull). The combination of cross border use of health

services and the differential in Quebec and Ontario's schedules for payment for physician and hospital services has already generated significant frictions -- but these irritants would pale into insignificance if major differences were to emerge between Quebec and Ontario in the comprehensiveness, universality, portability or accessibility of public health care insurance. Throughout the rest of the country, distance between major urban centers might diminish the extent of health care induced temporary migration -- but Montreal is less than a two hour bus ride from Ottawa.

Whether Quebec continues to remain part of Canada in a "renewed federalism" or whether it seeks "sovereignty association" is not really the issue. In either case, if the free movement of labour continues, the pressures on health care systems and the possibilities for health care induced migration remain the same. It is precisely for this sort of reason that the European Economic Community adopted a social charter some thirty years ago, whose provisions are now being strengthened in anticipation of a greater integration of European economies in 1992. (And one can note that Germany is a big supporter of such a social charter, not because the Christian Democrats of Germany are "left-wing" but because Germany has much to lose from excess immigration, to take advantage of the entrenched welfare state of Germany).

Although common standards between sovereign, independent states in a common market were called in Europe a "social charter" while the common standards between Canadian provinces have historically been termed "national standards", their effect is the same -- the avoidance of "social dumping". The existing standards of the Canada Health Act are pretty much the minimum required to prevent erosion of the

Canadian medicare system. Without some such set of common standards, free mobility of labour can be expected to produce health care induced migration and significant financial pressures on relatively generous health care jurisdictions.

2.2 Canada Assistance Plan

The cost sharing of social assistance programs in Canada dates back to the 1927 introduction of a means tested old age pension (50% cost shared with the provinces) by the minority MacKenzie-King government, under pressure from the Progressive Party. Over the years, piece-meal expansion increasingly involved the federal government in social policy, and in 1966 federal assistance was consolidated in the Canada Assistance Plan (CAP), by which the federal government agreed to reimburse "the cost to the province and to municipalities in the province of (a) assistance provided by, or at the request of provincially approved agencies pursuant to the provincial law and (b) welfare services provided in the provinces by provincially approved agencies pursuant to the provincial law" (Canada Assistance Plan, Section 4). In 1990, the federal government unilaterally legislated a cap on CAP, limiting the increase in expenditures for Ontario, Alberta and British Columbia to 5% in 1990 and 1991 and this cap was extended in the 1991 budget for 3 more years. However, although the Supreme Court has recently affirmed the power of the federal government to limit unilaterally its total spending under CAP, it is clear that in Canada the details of social assistance programming are conducted "pursuant to the provincial law".

From all corners of the political spectrum, it is agreed that Canada may have a national welfare program, but it is one "with virtually no national standards" (Ip 1991: 301). As Hunsley (1991:7) puts it, "with the exception of medicare, one would be hard put to find clear national standards in any single piece of federal cost-sharing legislation." As he points out, the Canada Assistance Plan sets out very few standards, e.g., an appeal process for applicants who are refused financial assistance must exist and provincial residency requirements for eligibility for social assistance are prohibited.¹¹ Even these requirements do not apply to social services cost shared through the plan. Although provinces are required to define in law a level of "need" and to provide programs which meet that need, and provinces are required to submit applicants for assistance to a needs test, there is no restriction on how high or low the standard of need is set. Nor is there any restriction on provincial control of eligibility.

In fact, there are very significant differences in both administrative practices and benefit levels for social assistance recipients across Canadian provinces.¹² In 1989, a single employable recipient in New Brunswick, for example, would receive \$2,812 per

¹¹The prohibition on residency requirements is probably redundant, given the Charter of Rights (Section 15). Section 6 (b) provides for "reasonable residency requirements" but given the intent of the mobility rights clause, this would have to be narrowly interpreted.

¹²Within provinces with "two-tier" municipal/provincial social assistance systems there can also be substantial disparities. In Nova Scotia, provincial social assistance is reserved for monthly maintenance for single parents and the disabled. Municipal social assistance is supposed to take care of everything else. However, some municipalities (e.g. Clare) simply deny benefits to single able-bodied applicants, while others have "workfare" programmes. In 1990 a family of four in St. Mary's could claim a maximum of \$598 per month, while in neighbouring Halifax County they could claim \$1,116 monthly (Blouin, 1991). Although the Supreme Court may eventually rule that such inequities within provinces contravene the Canada Assistance Act, there is no mechanism to enforce comparable procedures or assistance levels across provinces.

year, compared to \$5,892 in Ontario. A couple with two children on social assistance would receive \$10,974 in Newfoundland, \$8,248 in New Brunswick and \$13,744 per year in Ontario. (In addition, federal benefits under family allowances, the child tax credit and the refundable federal sales tax credit for the four-person family would total \$2,118 per annum.) (See National Council of Welfare, 1991).

However, in Canada the impact of these differences in social assistance benefit levels have been mitigated by the presence of a major, federally administered income support plan, Unemployment Insurance. For the past 20 years, eligibility for UI benefits, and the maximum duration of UI benefit entitlement, have been much more generous in the poorer regions of the country. In Canada, the UI system has tended to balance out differentials in provincial social assistance payments. As a result, although U.S. scholars have studied extensively the impact of differentials in social assistance levels in enticing poor families to migrate to more prosperous states, Canadian researchers have focused on the possible impact of regionally differentiated unemployment insurance benefits in retarding emigration from depressed areas.¹³

In the 1950s, it was possible to believe that unemployment insurance dealt with the temporary interruptions in earnings of labour force participants while social assistance met the needs of the unemployable population. At that time, federal and provincial roles in income maintenance, like the clienteles of federal and provincial programs, could be seen as relatively unentangled. However, 40 years of institutional

¹³See, in particular, Shaw (1985) and Winer and Gauthier (1982) who argue that unemployment insurance has retarded inter-provincial migration out of Atlantic Canada.

and social change, plus a decade of high unemployment, have irretrievably intertwined the roles and clientele of these two income support programs. As the federal government increasingly disengages itself from the income maintenance role of unemployment insurance, existing differentials in provincial social assistance levels will become relatively more important. Canada's lack of national standards in social assistance administration and benefits will become increasingly apparent. If there continues to be free mobility of people between provincial jurisdictions, one can expect to observe increasing concern, as in the U.S., with the impact of social assistance differentials on inter-provincial migration.

The general point is that since the sick and the poor require costly services and scarce cash, cost minimizing government would like to offload these financial liabilities on neighbouring jurisdictions. Since one can expect some people to respond to economic incentives to inter-provincial migration, the social policy and health care insurance decisions of each jurisdiction have "externalities" for other jurisdictions, by luring or repelling inter-provincial migration flows. In both cases, in the absence of national standards, provincial governments have both the incentive and the means to follow "beggar thy neighbour" policies. As it stands, we now have in Canada national standards by federal legislation in health care insurance administration, but in social assistance administration national standards are empty rhetoric (although until recently the unemployment insurance system has balanced provincial differences in social assistance delivery). The proposal is sometimes heard that one should rely on

voluntary harmonization between provincial governments to maintain national standards -- under what conditions is such voluntary harmonization likely to be successful?

2.3 National Standards in Education

Recently, a debate has emerged in Canada over the possible involvement of the federal government in "national standards" in education. However, it is worth reminding ourselves at the outset that the term "national standards" is used in a very different sense in education than in social policy or health care. National standards in health care insurance or in social assistance policies are generally held to mean that government programs should satisfy some minimal set of criteria -- i.e., all citizens should have some minimum level of entitlement to health care or to social assistance - - but in education "national standards" refer to the minimum set of attributes which individuals with a given educational credential should possess.

Furthermore, the current debate on national standards in education in Canada mingles two very different ideas -- the establishment of national standards and the raising of national standards. Establishing national standards in education would imply, for example, that everyone would have a clear idea of what a grade 12 graduate from any Canadian province typically knows. Raising national standards would imply that, for example, the typical grade 12 graduate would know more than they now do. Very different costs and benefits are associated with these two different ideas, but since most of the argument surrounding national standards tends to focus on the alleged poor performance of Canadian students, relative to those of other countries, it

seems that raising standards is really the underlying issue.¹⁴

However, one would like to know how much the imposition of a formalized system of national standards would add to the existing degree of informal harmonization of educational standards. For the most part, the debate revolves around literacy, numeracy and science education.¹⁵ Relatively good data is available for science achievement, based on scores on a common test instrument of scientific knowledge administered to students in grade 5, 9 and the final year of secondary school in 10 Canadian provinces and in 16 other countries. (See Crocker, 1990).

Although there is some difference across provinces in average achievement levels in science education, Crocker (1990:51) concludes "science programs at the elementary level possess very little commonality across provinces. Commonality of content increases with grade level, to the point where the senior secondary courses are relatively similar."

¹⁴Blurring the distinction between establishing and raising standards might be considered desirable if one thought that national standards would be established at a relatively high level, implying that most schools must improve in order to reach national standards. However, an alternative hypothesis is that if national standards were set, they would be set at a level which most schools could pass. If tight educational budgets implied that schools which exceeded national standards were then raided for financial and teaching resources in order to bring sub-standard schools up to par, it is not clear that establishing standards necessarily results in raising average standards.

¹⁵In addition, the Spicer Commission has bemoaned our lack of geographic and historic knowledge, and the misconceptions which Canadians have of each other. Personally, I identify strongly with this theme. As someone who now dabbles in economic history (see Osberg 1988, 1989) it is disquieting to hear my children come home from school repeating the myths of past Nova Scotia industrial might snatched away by central Canadian conspiracy. Nevertheless, it appears that a common history curriculum is not on the agenda of proposed national educational standards.

In part, heterogeneity in science education at the primary level reflects differing curriculum orientations across provinces between an emphasis on the process of scientific discovery and validation or the content of scientific knowledge. Diversity at the primary level reflects as well the desire to make science education relevant to local circumstances, and the lack of disciplinary boundaries in early science education. However, by the time students graduate from secondary school, although there are "distinct patterns of regional difference" in achievement (scores generally rising as one travels east to west) the science curriculum in physics, chemistry and biology is very similar across the country.

Educational credentials convey information about individual skills, but there is always some uncertainty associated. Students' scores on tests will differ somewhat on good days and on bad days, teachers are known to differ in efficacy and schools differ in resources and in curriculum. Given this inherent uncertainty, the consumers of educational credentials (such as employers or university admissions officers) have to decide at what point the costs of acquiring additional information are repaid by the benefits of diminished uncertainty over individual skills.

Where there is a very wide variation in school curricula and grading practices, the possession of a high school graduation certificate is, in itself, not particularly informative and it will become normal, as in the United States, for public and private colleges, to demand, in addition, the results of standardized achievement tests (i.e. SAT scores). In the U.S., the market mechanism has created a defacto private "national standards" system to certify individual attainment. The costs of this testing

have become embedded in the university system -- presumably individuals are willing to pay these costs because the potential gains achievable from diminishing the uncertainty surrounding existing secondary school graduation certificates exceed the costs of testing.

The important point to stress is that, in Canada, private sector credential agencies have not emerged. Canadian universities do not demand scholastic achievement test scores from the graduates of their own provinces, or of other provinces (although they typically do demand SAT scores from the graduates of American high schools). Although admissions requirements differ considerably among Canadian universities, and the more selective Canadian universities are willing to invest scarce resources in recruiting out of province students and in evaluating standards (for example, at new private high schools) admissions officers typically accept out of province grades as roughly comparable, within some degree of approximation. Although it is recognized by all that school quality and grading practices vary, the variation within provinces is not so great as to deprive high school grades of their informational content and the variation between provinces is not so great as to induce systematic discounting of the grades of particular provinces.

What mechanisms have produced this harmonization of educational standards? Crocker (1990:57) argues that "although there is no national coordinating body for elementary and secondary education in Canada, a good deal of commonality is achieved through such devices as the text book market and exchanges of information at the policy level." Within provinces, resources are more equalized across school

boards, and educational administration is more centralized in Canada, than is typical in the United States. The high degree of mobility of labour in Canada implies a constant stream of transfers of students between educational jurisdictions and some degree of feedback as to whether student achievement is comparable on a grade by grade level -- administrative convenience may combine with local pride as informal controls on the degree of inter-provincial differentials. One can also hypothesize that coordination is more practicable among ten provincial ministries of education than among fifty states.

In principle, just as lumber mills could produce boards in a nearly infinite variety of sizes, schools could educate individuals using a nearly infinite variety of curricula and standards. However, most lumber mills produce two by fours and other standard sizes, because this is a commonly recognized format. Although the specific format chosen is somewhat arbitrary, the greater the number of mills which produced to this specification, the greater is the market for other mills who also adopt this specification. In education, the variety of formats potentially available can be illustrated by consideration of the British, French and German systems of education. Canadian provinces have complete constitutional responsibility for education, and could have chosen to emulate such models or invent entirely new ones. None have done so, and the range of structural variation in Canadian education is relatively small. The emergence of such conventions, or standardized expectations, can be explained by the fact that there are few costs, and great benefits, to conformism on the part of individual producers.

Both the "economics of conformism" and the political economy of bureaucracies are important causes of the informal harmonization of the education curriculum and educational standards across Canadian provinces. Aggregate costs in education depend on the number of students and the cost per student. At primary and secondary levels, the number of students is essentially fixed by past birth rates and by net migration. In seeking to defend levels of expenditure per student, and the aggregate size of their departmental budgets, educational administrators have often used the argument of the necessity of "keeping up" with other provinces. In doing so, they know that they can appeal for political support to a broad cross section of concerned parents. Critics of the school system, on the other hand, will often accuse school boards of "gold plating", but the point of reference is, again, the level of expenditures elsewhere. The net result is a set of pressures to maintain a roughly comparable level of expenditure per student.

In the background, one must emphasize the role played by equalization payments in making the adoption of common educational standards feasible. Disadvantaged Canadian provinces benefit from federal equalization payments and Canadian provinces have, in turn, assumed substantial responsibilities for equalizing

the resources available to school boards within provinces.¹⁶ Equalization of finances makes it feasible to equalize expenditures.

In labelling individuals with respect to educational credentials, it has been feasible for Canadian provinces to adhere to a common set of conventional norms. School administrators can also appeal to national standards to defend their budgetary turf. Although declining educational standards in one province would have implications, in the long run, for other provinces (by diminishing the average quality of labour in the national labour market) in the short run there is no mechanism available to school administrators by which they can offload their educational costs on other institutions or other jurisdictions. Unlike the setting of health care or social assistance standards, the setting of provincial educational standards does not create externalities, at least in the short run, for other provinces. Moreover, there are strong bureaucratic and political incentives pushing provinces to a voluntary harmonization of educational expectations, and the presence of equalization payments renders such harmonization feasible. In short, the adoption of formal national standards might increase the degree of standardization of educational offerings, but such standards are not essential to

¹⁶By contrast, the U.S. does not have a general scheme of revenue equalization between states. Within states, U.S. school boards are heavily dependent on local property tax revenues. The variation in assessed property values across school boards produces a very substantial variation in the fiscal capacity of school boards to mount educational programs. One cannot expect comparable educational outcomes when average expenditures per student can vary between states by more than 2 to 1 and the intra-state variation in school board expenditures per student can be more than 4 to 1 (see Osberg, 1984:107).

preventing a divergence of provincial standards, which are already voluntarily harmonized in large measure.

Different mechanisms are operative at the post-secondary level. Administratively, there is no centralized control of curriculum or standards in university education, either at the provincial level or at the level of the university, and there is precious little control at the level of the faculty or the department. Professors have essentially total control over what is taught in their courses and how it is graded. Especially at senior levels, the ongoing rush of research makes course revision an annual necessity. Yet out of this organized anarchy, common norms have emerged. Within disciplines, there is a high degree of overlap in the content of core areas taught and although individual professors may have reputations as easy graders, they are scattered across institutions. All professors face the complaints of aggrieved students desiring higher grades, but they do not face financial incentives that would encourage lower standards in grading or curriculum. Although it is recognized that universities differ in quality, the graduates of Canadian universities are routinely accepted for post-graduate courses at other Canadian universities -- typically without the requirement of submitting standardized Graduate Record Examination scores (as would be required in the U.S.).

In the background, the federal granting agencies have played an important role in generating common national norms in Canadian universities. There is a high value placed on research in academia and the possession of a grant from NSERC, SSHRC or MRC carries with itself a significant amount of status, as well as providing the

resources to do one's research (and, not incidentally, the ability to escape the constraints of local university budgets). The granting agencies try to ensure rough regional balance in the membership of their selection committees, but they have been successful in creating formal evaluation mechanisms and an organizational culture in which province of residence is irrelevant to success in funding. In any academic discipline, all Canadian researchers have to jump the same hurdle if they are to receive a grant. Particularly in science-based disciplines, the measure of achievement is publication in internationally refereed journals, hence, in a very real sense, international norms are the defacto "national standards" of Canadian academia.

Given the substantial degree of harmonization of educational standards which already exists in the Canadian system, it is not clear what the establishment of national standards would add (or subtract). Raising national achievement levels is a different proposition -- one which no one would oppose if it were costless. There are lots of problems in the Canadian educational system -- for example, the lower achievement scores of women in science-based subjects or the higher rates of early school dropout typical of some areas of Atlantic Canada, of Indian reservations and of minority students in inner-cities. Useful federal initiatives in research on educational strategies and curriculum development to deal with these issues can easily be imagined. However, in thinking about raising standards more generally, it is important to recognize that there are substantial trade-offs involved. It is often not clear in the debate over raising standards whether priority is to be assigned to increasing the achievement levels of the top one percent of students or to ensuring that the illiterate,

non-numerate bottom 20 percent reach minimal academic norms. One's assessment of educational strategies, such as increased selectivity or streaming in early grades, depends heavily on whether one emphasizes the positive outcomes for those who are streamed or selected "in", or the negative outcomes for those who are selected "out".

Over the course of an educational career, achievement levels may lag at some points and accelerate at others -- from the point of view of the job market, it is achievement levels at the end of the schooling pipeline which matter. Even if, for example, Canadian research scientists have to work harder in university in order to make up for high school deficiencies, the crucial issue for them is whether their skills are comparable to the world's best at the time they get their Ph.D. The standards set in high school science courses are, therefore, of greatest importance for those students who will take no further science courses. The social benefits of higher standards for these students are claimed to be a greater capacity for the assimilation of technological innovations at the firm level and a more informed public debate on scientific (especially environmental) issues at the political level.

It follows that a crucial dimension of "national standards" in education is the "breadth" of the educational system as well as "depth" of individual students -- both the percentage of Canadian youth who take senior high school science and mathematics and the achievement levels of those who take such subjects are important for Canada's ability to assimilate technical change. It is important to note that although, on average, senior secondary school students in Canada score below similar students in some other countries on tests of science achievement, Canadian youth have a much

greater exposure to Science and math than is normal elsewhere. (see Appendix A).

In many ways, it is remarkable how well inter-provincial harmonization in education already works in Canada. There is no legal mechanism to prevent provincial governments from pressuring their universities into instituting differential fees for out of province Canadian students (as is common for out of state students in the United States), yet none do so, despite the fact that the money involved would be appreciable.¹⁷ Since inter-provincial migration is strongly correlated with educational attainment, Saskatchewan and Newfoundland have been subsidizing, via the emigration of the graduates of the University of Saskatchewan and Memorial University, the economies of Alberta, British Columbia and Ontario for many years now, yet there has been no attempt, by any province, to recoup expenditures made on emigrating students. In a notional sense, the inter-dependencies between provinces in the national market for highly qualified personnel were recognized by the federal government in its assumption of a financing role for post-secondary education. However, since the consolidation of post-secondary education and health care insurance into the Established Programs Financing (EPF) block grant in 1977 there have been no specific performance requirements whatsoever on the expenditures made by provincial governments with the funds ostensibly labelled for post-secondary education. It may be that provincial restraint in "beggar thy neighbour" educational policies has been motivated, in part, by the example set when the Canada Health Act

¹⁷ 31.1% of full-time Nova Scotia university students come from outside the province. The net surplus of out-of-province students in Nova Scotia over Nova Scotians studying elsewhere is 20.0% of full-time enrolment.

reacted to the growth of extra billing. However, although the federal government could legislate national standards in, for example, out-of province fees, such a reaction does depend on the willingness of the federal government to defend a "national standard" that has been , until now, entirely implicit. Fear of an aggressive federal defense of national accessibility seems unlikely, in the current political climate. In any case, the enforceable part of the EPF system depends on the cash grants component in EPF. Under the current formula, this goes to zero for Quebec in 1995/96 and disappears for most other provinces five to ten years thereafter, (see National Council of Welfare, spring, 1991).

2.4 Environmental Impact Assessment

Constitutional responsibility for environmental impact assessment (EIA) may be one of the "sleeper" issues of this constitutional round, in part because the framers of our present constitution quite clearly had no inkling, in 1867, of the concept of "ecology". Section 91 of the BNA Act gave the Parliament of Canada exclusive legislative authority over law governing the sea coast and inland fisheries, while section 92 gave the provinces exclusive jurisdiction over forestry. However, to an ecologist it is obvious that inland waterways and forests are intimately connected -- indeed the dictionary definition of "ecology" is "that branch of science concerned with the inter-relationship of organisms and their environment: the totality or pattern of relationships between organisms and their environment". Because ecological concerns are always inter-connected, there is almost always a federal angle to an environmental issue.

Now that environmental impact statements have become a standard requirement for major projects within federal jurisdiction, provincial politicians find their pet projects, from coal-fired electricity generation at Point Aconi in Nova Scotia to pulp and paper production in northern Alberta, potentially subject to the uncertainty and the delay of the federal environmental assessment review process. Indeed, environmental impact assessment is at the heart of the controversy over the James Bay development, which mingles the issues of aboriginal land rights, cultural preservation, the relationship of Canada to Quebec, the potential degradation of the natural environment and the relationship of the Canadian, Quebec and American economies.

The fact that a multiplicity of dimensions are under consideration is characteristic of EIA. Emond (1985:60) surveys the definitions of the "environment" and of the "undertaking" subject to environmental impact assessment in federal and provincial legislation and concludes that "since the impact on the social and economic environment is an integral part of the process, it becomes difficult to distinguish environmental assessment from general decision-making. Given such a broad definition of environment, EIA is no longer an environmental protection tool, but rather a comprehensive mechanism for enhancing government decision-making as it affects major resource development projects." Pushchak (1985:76) notes that since there is no clear stopping rule for an EIA "it is not known how big the impact area should be or how many impact factors should be considered, nor is it clear how far in the future impacts should be assessed. Consequently, impact assessments are inclusive documents where the decision to stop collecting data is based on the limited resources

of the investigators rather than the exhaustion of things to investigate." If the norm is "to have a look at everything, at least superficially, regardless of how insignificant to the public or to the decision-makers", it is clear that federal involvement will be difficult to avoid.

In educational, social assistance and health issues we have decades, if not centuries, of historical experience -- but environmental impact assessment as a formal process dates from 1975 in Canada. In many respects the methodology and criteria of EIA are still in a state of flux. Although EIA could become a major vehicle for the aggrandizement of federal jurisdiction Emond (1985:69) notes that neither federal and provincial governments "are prepared to fight over jurisdiction. Indeed, the danger is not in a fight, but rather that each government will abdicate responsibility to the other with the result that no assessment is conducted." "Buck-passing" may have been motivated, in the past, partly by the fact that once the process is underway, ministers lose control of the final decision to the appointed review panel. Although ministers have to carry the responsibility for implementation of the recommendations of an EIA panel, such panels may place a degree of emphasis on small changes in the environment which much of the outside world finds hard to understand. Furthermore, the EIA process has very low reputation within the scientific community.¹⁸

¹⁸Beanlands (1985) notes that the usual lack of historic base-line data, plus the large degree of variability inherent in natural conditions and the lack of scientific understanding of ecological inter-connections, plus the uncertainty as to what aspects of environmental change should be emphasized, all combined to produce unreliable (and unchecked) predictions from environmental impact statements.

Nevertheless, social impacts are often decisive in the EIA process (e.g. the decision on a fixed link to Prince Edward Island), although the mediation of social impacts is one of the classic functions of the political process. Since environmental impact statements now have the potential to block some of the major desired initiatives of provincial governments, it seems clear that provincial governments cannot afford to ignore the EIA process.

Some jurisdictions (e.g. Ontario) use class assessments to decide simultaneously a large number of essentially similar projects, but for the most part EIA proceeds on a case by case basis. "National standards" in environmental impact assessment are, therefore, a bit like "relevant precedents" in the determination of case law. In deciding whether there should be national, or provincial, standards in EIA a strong argument for a national standard to apply is the existence of project impacts which spread beyond the jurisdiction of the single province. However, in many projects the geographic range of impacts is only known after the completion of the EIA process, and there is, in general, no clear criterion within EIA methodologies for ascertaining when impacts on a neighbouring jurisdiction are sufficiently small to be disregarded.

To what extent should "national standards" in environmental assessment be sensitive to local considerations? Local preferences for environmental outcomes often differ, but although public involvement in the EIA process has been institutionalized, a recurring (and inescapable) problem in EIA is ascertaining which public views to weight most highly. Although city-dwellers may think of seals as cute creatures with big eyes, fishermen tend to think of them as animals that eat fish, -- i.e. competitors

in the food chain. Opinions on the Newfoundland seal hunt diverge widely in Canada, but it is not clear whose preferences should matter more.

The resilience of the local environment should also be a major consideration in EIA (e.g. it matters a lot whether acid rain is falling on alkaline or on acidic soils) but some elements of the environmental movement advocate a "zero tolerance" position as a matter of principle. As a result, although national standards in environmental impact assessment could be framed as to be sensitive to local preferences and the resilience of the local environment, it is not entirely clear that this is actually what happens. As a consequence, national standards may at times be inappropriate for local circumstances.

2.5 Overview

In assessing whether national standards are required in a particular policy area or whether standard setting should be completely devolved to the provincial level, one needs to ask whether incentives exist that would cause the cumulative decisions of provinces to converge or to diverge and what the costs of a divergence would be. The Canada Health Act and Canada Assistance Plan are examples of policy areas where provincial decision-makers, at the margin, face incentives to decrease provincial standards, at a rate which differs across provinces. Part of the costs of such decisions can be exported to neighbouring jurisdictions, but the most important costs are the diminished general efficiency of the Canadian labour market and the greater overall inequity of Canadian society. Education, on the other hand, is an example of a policy

area where provincial decision-makers have, in practice, incentives to harmonize, hence the potential costs of policy divergence are of less relevance. And in environmental issues, the range of environmental values may indicate that national standards are inappropriate.

National standards in health care insurance are enunciated in the Canada Health Act, although in very general terms. A general phrasing has the advantage that experimentation in delivery mechanisms at the provincial level is not precluded, and since provincial experimentation occurs within the framework of a common set of system goals, the results are relevant to other provinces -- Canada as a whole benefits because each province can learn from the others. National standards under the Canada Health Act also have the very clear meaning that they are specifically written in legislative language, with penalties specified for their infraction.

Health care costs are, in all the provinces, big business (in recent years, about 30% of Ontario's expenditures). Provinces are faced with mounting pressures to restrain expenditures. Increased efficiency of operations and greater emphasis on public health measures and illness prevention can only yield so much, especially in the short term. At each annual budget, provincial treasurers face the incentive to offload some of the costs of the health care system by decreasing coverage, by introducing co-payment schemes (of which extra billing is a variety) or by limiting access in publicly financed facilities. In the absence of national standards, different provinces will make different decisions in the trade-offs of budgets and health care coverage, implying the emergence over time of an increasingly differentiated health care system.

Employer paid health insurance plans will fill the gaps for some workers,¹⁹ but at the cost of decreasing the inter-firm mobility of labour and increasing inequity in the receipt of health care services. The relative generosity of health care coverage will become an important issue to consider in interprovincial mobility, decreasing the efficiency of the national labour market. Since some of the minority who lose coverage can be expected to explore their health care options in other jurisdictions, part of the offloading of provincial government health care costs will take the form of health care induced migration to other jurisdictions.

The Canada Assistance Plan does not contain any meaningful set of national standards in the level of social assistance benefits, but the consequences of a lack of national standards have been mitigated by the existence, for the last 20 years, of a federal unemployment insurance system which has been most generous in the areas of the country where provincial social assistance levels have been least generous. As the income maintenance role of unemployment insurance contracts and the system becomes increasingly a tool of active manpower policy, the relative importance of existing disparities in provincial social assistance levels will increase.

In both the Canada Assistance Plan and the Canada Health Act, the idea of "standards" refers to a government program, more specifically to the accessibility and level of entitlement which a government program grants to individuals. Decreasing the level of entitlements or accessibility (i.e., decreasing standards), directly decreases

¹⁹Section 4 discusses the symbolic political importance of universality in health care insurance, even for those who would not personally lose coverage.

government expenditure levels. To the extent that out migration is induced by decreased entitlement levels, part of the cost of lower standards will be borne by other provincial jurisdictions. Provincial decision-makers therefore have the incentive, at the margin, to decrease provincial standards, generating negative externalities for other provinces.

By contrast, "standards" in education refer to the characteristics of individuals, who possess a particular educational credential. Decreasing standards, making it easier to pass, does not save the system any money. (Indeed, if anything a higher pass rate means more students will remain in the system in subsequent years, increasing cost pressures). Although penny pinching in education may make it more difficult to continue to maintain the same curriculum and quality of instruction, there are strong bureaucratic incentives to maintain comparability across jurisdictions. As a result, voluntary harmonization has produced a great deal of similarity in provincial standards. The introduction of formal national standards in education might not hurt much, but neither should one expect it to produce much change.

The key point is that where "national standards" refer to standards in programme entitlement, delivered to the residents of particular jurisdictions, budgetary pressures create incentives to decision makers to cut costs by cutting entitlements. The impacts of such decisions on inter-provincial migration implies a less efficient labour market and the transferral of costs to more generous jurisdictions. However, where "standards" refer to the labelling of individuals' characteristics, as in education,

there may be many pressures for voluntary harmonization. The case for and against national standards depends in part on what type of standard is at issue.

In health care we do have national standards while in social assistance we do not - but clear national standards in both would be desirable on both equity and efficiency grounds. In education, informal harmonization has created de facto standards. In environmental issues, overlapping jurisdictions create pressures to harmonize, but the variation in local values and local absorptive capacity argues for diversity in local standards.

3.1 The Social Charter and the Interests of the Provinces

The Ontario government has proposed entrenchment of a Social Charter to protect national standards. This section will argue that such a position is in Ontario's interest, regardless of the ideology of its government - but it is also in the interest of poorer provinces to support a Social Charter.

However national standards are defined or enforced, national standards will have different implications for Ontario than for other provinces. Ontario is big, rich and highly open to migration. Quebec is big, but with substantially lower gross inter-provincial migration flows. As well, Quebec has had net losses, not gains, from inter-provincial migration in recent years (see Table 1). Whatever eventually happens in the National Standards debate, Ontario will continue to have administrative responsibility for health care insurance, social assistance delivery, education and environment -- hence Ontario will necessarily have provincial standards in all these areas, which will apply directly to over a third of Canada's total population (48.7 percent of the population of Canada outside Quebec). In the past, Ontario has sometimes been a laggard in social policy and a brake on national initiatives -- for example, the reluctance of Ontario was instrumental in derailing the 1945 federal proposal for a comprehensive national health insurance plan, and Ontario bitterly opposed the eventual introduction of medicare in 1967 (see Perry, 1990:633,644). However, given the affluence of Ontario and the political trends of the last decade, it seems more reasonable to assume that Ontario will be a social policy leader in Canada over the next decade.

Table 1

Inter-Provincial Migration Flows in Canada in 1986-1987

Males and Females Aged 16-69

	Net	GROSS		MOVEMENT
		OUT	IN	
NFLD	-1.8%	7803 (2.11%)	1673 (0.29%)	2.4%
PEI	+2%	1073 (1.32%)	1267 (1.55%)	2.87%
NS	-.9%	7919 (1.4%)	2705 (0.5%)	1.9%
NB	-.4%	7004 (1.5%)	4995 (1.07%)	2.57%
Quebec	-.01%	16217 (0.35%)	15854 (0.34%)	.69%
Ontario	+36%	22055 (0.35%)	45021 (0.71%)	1.06%
Manitoba	+31%	8524 (1.23%)	10664 (1.54%)	1.77%
Saskatchewan	-1.3%	12531 (2.0%)	4414 (0.71%)	2.71%
Alberta	-1.2%	40846 (2.6%)	2008 (1.42%)	4.02%
BC	+3%	18684 (0.95%)	24878 (1.27%)	2.22%
Total	0	142657 (0.8%)	142657 (0.8%)	1.6%

Source 1986/87 L.M.A.S.
(Osberg/Gordon, 1991)

If, in the absence of national standards, Ontario standards in social policy and health care are more generous than those elsewhere in Canada, what can Ontario expect to observe as a result? As Section 1.2 noted, one of the costs of a divergence in provincial standards is the interprovincial mobility out of relatively generous jurisdictions which does not occur, due to social policy incentives, but which would have been economically justifiable on productivity grounds. Ontario residents lose because they forego their better opportunities elsewhere.

In the absence of national standards, Ontario residents would also lose because changes in interprovincial labour mobility would mean there are fewer chains of vacancies created in Ontario and less aggregate mobility in the Ontario labour market. When someone in Ontario retires, or moves to another province, a vacancy is typically created. Since most vacancies in the Canadian labour market are filled by someone who moves directly, without any intervening joblessness, from another job,²⁰ the filling of the first vacancy typically creates a second vacancy. The "mobility chain" continues until someone is hired from outside the pool of those currently employed -- which, from the Ontario point of view, means that the mobility chain continues until someone is hired from the pool of the unemployed or from outside Ontario.

The "mobility chain" therefore works differently for destination provinces like Ontario than for origin provinces. Since the elimination of national standards would imply that fewer people leave Ontario, fewer mobility chains are created. Since more

²⁰In 1986, 65.4% of inter-industry movers had no intervening joblessness (see Osberg, 1991).

people come into Ontario, the mobility chains that are created in Ontario will end, more often, with the hiring of an in-migrant -- i.e. mobility chains are shorter, on average. [In origin provinces, the mobility chains will be longer and more frequent.] Since workers can be expected to move voluntarily, job-to-job, only if there is some net advantage to such mobility, the social gain of a mobility chain is the sum of the individual gains at each stage. Conversely, the social cost of decreased mobility is the sum of the gains foregone at each stage.²¹ If Ontario is a relatively generous setter of provincial standards, Ontario will lose from the excess immobility, direct and indirect, which changed patterns of interprovincial mobility will entail.

Furthermore, Section 2.1 has already noted that geographic proximity implies that Ontario is uniquely vulnerable to temporary in migration for health care reasons if mobility of labour continues and if significant differentials in health care coverage emerge between Ontario and Quebec. In addition, decades of inter-provincial migration imply that many Ontario residents now have strong family ties in other provinces. Currently, migration decisions are unaffected by health care coverage issues -- e.g. the decision of retiring Ontario workers whether to move back to the ancestral home in Cape Breton, or the decision of aged parents whether to join their children who have moved to Ontario. However, the emergence of significant deviations from national standards across Canada would alter the equation. One must recognize that Ontario health care costs will increase if the elderly decide, more than

²¹Akerlof et al (1988) used this argument to emphasize that the social cost of high unemployment includes the loss implied by decreased job/job mobility plus the direct loss of the output of the unemployed.

they now do, to remain in, or to move to, Ontario -- and the relative importance of such decisions will increase in coming decades as the Canadian population ages.

In general, migration tends to follow established patterns. The informal support networks of friends and relatives are especially important for dependent populations such as the sick and the poor. Ontario has historically been a major destination for inter-provincial migration and Ontario can expect to receive increased inter-provincial migration if substantial differentials emerge in the economic benefits obtainable from the social assistance system for particular sub-populations. Quebec, on the other hand, is to a large extent insulated from such population movements by language and by the historic absence of inter-provincial family ties. Hence Quebec does not have the same objective interest in maintaining national standards in social policy legislation as Ontario does.

As the federal role in income maintenance, via unemployment insurance, shrinks, existing differentials in provincial social assistance benefit levels will become relatively more important. British Columbia has typically been a net recipient of inter-provincial migration, and gross inflows and outflows are large. Alberta swings from net inflows to net outflows with the booms and the busts of the natural resource cycle, while for decades Manitoba, Saskatchewan and the Atlantic provinces have, on average, been exporting population. Over the course of the business cycle, relatively large outflows to Ontario when jobs are available during the boom have historically been partially balanced by backflows of the unemployed when Ontario has gone into recession. However, the diminished relative importance of unemployment insurance,

in combination with the lower level of social assistance in origin provinces, can be expected to reduce the extent to which Ontario can expect to export some of its unemployed during business cycle downturns.

Ontario may be especially affected by fiscally induced migration if provincial standards diverge but Ontario also shares with other provinces an interest in the general efficiency gains of an effective economic union and the overall degree of equity in Canadian society. Indeed, simply because more of the Canadian population resides in Ontario than in any other single province, Ontario necessarily internalizes, more than other provinces, the national impacts of national standards.

In short, other provinces may also end up supporting a 'Social Charter', but Ontario's position is not a surprising one, on grounds of provincial self interest, as well as ideology.

The position of Ontario is particularly important to explain, since Ontario is the major source of inter-provincial equalization grants. Given the size of equalization grants (\$970 million dollars to the province of Nova Scotia in 1991-92) poorer provinces clearly have a major interest in their preservation. If national standards in health, education and welfare are eroded in some provinces, relatively affluent provinces could expect to be adversely affected by increased net immigration from those seeking better social programs than provided in their former province. Since the rationale for richer provinces to pay into the equalization transfer system is the maintenance of such national standards, the erosion of national standards would imply erosion of the political will to continue the system of equalization payments. If this

were to happen, Nova Scotia, Newfoundland, New Brunswick, Prince Edward Island, Saskatchewan and Manitoba would be big losers, and even Quebec would lose significant resources. Since the idea of a "social charter" is one of the few available mechanisms to maintain national standards in a decentralizing federation, the interests of both rich and poor provinces coincide.

It should not be surprising that both rich and poor provinces have a common interest in maintaining national standards. Indeed, the efficiency gains of an effective national labour market imply that all provinces can gain from Pareto improving policies. The Canadian economic union has generated, over many years, a high and rising standard of living for Canadians. The efficiency of that economic union generates economic returns, i.e., an economic surplus, part of which is redistributed through the process of equalization payments to enable Canadians to have access to reasonably comparable levels of public services no matter where they live. Without fiscal equalization one could not expect comparable services and without comparable services one could not expect the economic union to be as efficient in generating economic surpluses. Equalization payments, national standards in social programs and the efficiency of a national economic union are thus closely inter-related. As Table 2 indicates, migration between provinces generates significant improvements in individual earnings - the extent of this process of re-allocation of labour was noted in Table 1. Altogether, Canada has a lot to lose if the national labour market becomes distorted by differences in net social benefits between provinces.

TABLE 2

RETURNS TO GEOGRAPHIC MOBILITY

<u>OVERALL AVERAGES</u> <u>MALES AGED 16 TO 69</u>	<u>INTER-PROVINCIAL</u> <u>MOVERS</u>	<u>NON-MOVERS</u>	<u>DIFFERENCE</u>
% Increase Earnings 1986/87	22.7%	9.0%	13.7%
% Increase Hourly Wage 1986/87	12.0%	6.0%	6.0%
% Increase Annual Hours 1986/87	9.5%	3.0%	6.5%

4. Political Implications of the National Standards Debate

This essay has noted that although national standards in health care insurance are written into the Canada Health Act, national standards in social policy are minimal elsewhere. However, this fact surprises most Canadians. Many relatively well-informed people think that national standards exist in Canadian social policy -- indeed the possible erosion of "national standards" became an emotive issue during the debates over the Meech Lake Accord and, earlier, the Free Trade Agreement.

If we have so little by way of national standards in Canada, why do we care so much about them? The benefits of national standards -- greater equity, a more efficient national labour market, a larger pool of vacancies in destination provinces, etc. -- are, after all, "public goods" which are received by all Canadians but which (at least according to economic theory) everyone would prefer to have paid for by "someone else". In my view, because national standards are politically important, the idea of national standards performs a political function within the Canadian federation which is far more important to most individuals than its economic function.

One cannot explain on narrow economic grounds of personal self-interest the widespread nature of the anxiety which many Canadians expressed, during the Free Trade debate, over the possible erosion of the Canadian medicare system. After all, in the United States the vast majority of workers ¹ are covered under employer paid health insurance plans. Employees of governments, of universities and of major corporations are typically insured for most health care costs in the U.S. and their Canadian counterparts could expect the same, even if universal medicare were to

erode irretrievably. (And if national standards in medicare were to break down, even those people who were not covered by private employer paid plans could limit their losses by migration to a province which retained a generous medicare plan.) However, many of those individuals who would not personally suffer if universality were to be eroded also care deeply about the principle of universal access to health care. Many Canadians do not want to live in the sort of society where someone who is sick is denied medical care because they cannot pay.

In my view, the political salience of the national standards debate should be telling us something about political values and political aspirations in Canadian society. Public health insurance, and (social policy more generally), is central to Canadians' self-image as a "kinder, gentler" society within North America. Many authors (e.g. Cairns, 1988; Strain, 1987) have emphasized the role played by the Charter of Rights and Freedoms in defining the common rights of individuals as Canadians, and thereby heightening the Canadian sense of national citizenship.

However, Canadians have a broader concept of the rights implied by citizenship than the limited set of rights to political participation and judicial equality which are now enshrined in the Canadian Charter of Rights and Freedoms. Canadians expect that they, and other Canadians, have the right to medical care if sick and to an adequate standard of living, if destitute. The myth that "national standards" exist to guarantee those presumed rights serves to define implicitly an ideal of Canadian citizenship. Since "national standards" really are, at present, more myth than substance, yet are important aspects of many peoples' idea of "Canadianness", the current round of

constitutional negotiations has the potential for explosive failure, since even a more explicit recognition of the real status quo will represent the destruction of an important myth.

The Rowell Sirois report argued "not only national duty and decency, if Canada is to be a nation at all, but equity and national self-interest demand that the residents of these (disadvantaged) areas be given average services and equal opportunities." These words express both the aspiration for an idea of national Canadian citizenship and the recognition that a concept of national citizenship requires a large degree of commonality in the actual relationships of individuals to governments -- i.e. national standards.

In "labelling" issues such as educational standards, voluntary harmonization between provincial governments may work fairly well, but as the contrast between social assistance and health insurance should make clear, substantial differentials can be expected to emerge in the entitlement programs of provincial governments if those governments are not constrained by clear language expressing national standards in program delivery. Furthermore, even in the case of health care, as the EPF cash transfer payments of the federal government disappear over the next decade, the federal power to enforce national standards in health care insurance will also disappear.

Of course, if the federal government did not have a deficit problem, it might not have frozen the level of the per capita EPF grant to provinces, which would imply that it would take longer for tax points to comprise all of EPF and for the enforcement

mechanism for national standards under the Canada Health Act to disappear. However, the fiscal problems of the federal government ebb and flow -- if national standards are an important part of national citizenship, is it wise to tie their enforcement to the changing financial fortunes of the federal government?

One way of creating national standards is by instituting national programs. As the example of unemployment insurance indicates, it is possible, even within nationally administered programs, to build in program features which attempt to recognize the differences in economic environment which individuals in different areas of the country face. However, in nationally administered programs it is difficult to build in the degree of flexibility and experimentation which is inherent in provincial delivery of programs. Since a national social program, such as a national guaranteed annual income, would necessarily invade areas of current provincial responsibility, and its interaction with provincial programs would have to change over time as society changes, continual federal/provincial tensions can be anticipated. On the other hand, provincial delivery of social programs purchases the advantages of provincial flexibility and inter-provincial experimentation at the cost of the possible emergence of substantial inequities across provinces in program benefits.

4.1 A Social Charter

One possible solution for the problem of how to maintain national standards while preserving provincial diversity is to entrench national standards in the constitution as part of a "Social Charter". If the Social Charter were accompanied by an effective mechanism for enforcement, the arguments between federal and provincial governments for jurisdictional control over social policy would no longer have the potential to diminish the equity and efficiency of the Canadian economic union. The argument for the inclusion of a Charter of Social Rights in the constitution is, in one sense, an argument for a "results oriented" approach. It matters much less to individuals whether social or health care programs are delivered by federal or by provincial employees, than, if, at the end of the day, they do not have adequate food, clothing, shelter, medical care or education.

If a Charter of Social Rights were incorporated into the constitution, one could expect the values expressed by the language of the charter to influence the public debate on social policy in Canada in the long run, in the same way that the language of the U.N.'s Universal Declaration of Human Rights has often been appealed to around the world. However, a social charter must also have an enforcement mechanism if it is to be credible, and there are a number of possible models. (see Osberg and Phipps, 1992)

Social rights could be entrenched into the constitution in the same way that the existing Charter of Rights and Freedoms entrenches political and legal rights. If so, such rights would become fully justiciable through the court system, and judges could

end up making a large number of the detailed social policy decisions which are inescapable in a changing society. An advantage of this approach is that the enforcement of rights would be removed from the initiative of politicians and civil servants, and could be conceived of as a "bottom up" process -- i.e. if disadvantaged individuals had the assistance of public interest advocacy law firms. However, the legal process can take a long time and can be extremely expensive.

One of the great advantages of the court system is the fact that it hears individual grievances. The fact that each individual has an avenue for recourse, as an individual, is empowering for individuals. The constitutional specification of such rights as the right to adequate food, clothing, shelter, medical care and education does not require all governments to provide the same legislative or administrative mechanisms to deliver these rights, but it does require that these rights be protected.

However, there may also be substantial costs to relying too heavily on the courts. Legal reasoning can produce surprising conclusions -- most recently exemplified in Quebec Superior Court by the equation of "free speech" with cigarette advertising. Full justiciability of social rights also has the potential to increase the level of litigiousness in Canadian society and to create a social policy system which is the result of a series of case by case decisions, rather than the product of an overall system design.

An alternative to the courts is the European model of a Social Charter, which relies on expert fact finding to reveal the infringement of rights and mobilize public opinion to find solutions. However, those disenchanted with the political process worry

that the infringement of social rights may simply be ignored. Others emphasize that "expert opinion" is fallible. Although the drafters of social policy legislation and the administrators of social programmes may try to anticipate all the eventualities of policy, they are unlikely to be completely successful.

The fundamental problem is that some people always "slip through the cracks" of the social policy system, but if administrative powers are devolved to the provinces while social and economic change continues to accelerate, this will happen at an increasing rate, unevenly across provinces. Defenders of the parliamentary tradition in Canadian political life tend to argue that even if this is the case, responsibility for social policy decisions should ultimately remain in political hands. But the more sceptical note that the political mechanism is responsive to the more articulate, the more numerous and the more photogenic -- not necessarily to the more disadvantaged.

One possible solution to the deficiencies of the court and political systems would be to combine aspects of the administrative/political and the juridical mechanism for the enforcement of social and economic rights. One could frame the rights of Canadians as the right to expect that their community adopt a set of policies that produce adequate food, clothing, shelter, health care and education for all citizens. The constitution might, for example, require the provinces to develop policies to ensure that all citizens have adequate food, clothing, shelter, education and medical care. If the right of an individual is the right to an effective policy then (a) such policies may legitimately differ in different environments (e.g. in Quebec or in native communities)

as long as the end result within each community is that all receive adequate food, clothing, shelter, health care and education; (b) the role of the courts is limited to a finding of fact, whether or not existing policies are effective or ineffective in meeting the stated constitutional goals of providing adequate food, clothing, shelter, health care and education to all Canadians.² In this way, individual grievances could be heard in a setting which carefully considers the evidence, but the responsibility for policy design would remain political.

Since there are a number of possible ways to implement a Social Charter, each with its own combination of advantages and disadvantages, the debate on the Social Charter raises complex issues. However, the importance of this debate is heightened by the fact that existing mechanisms for the creation and enforcement of national standards are unlikely to be effective for much longer. In health care, enforcement of the Canadian Health Act through EPF cash transfers is already slated to disappear in about a decade. More fundamentally, there are significant pressures in the current constitutional round for greater decentralization of powers, and little guarantee that existing protections for national standards will be maintained. Given the efficiency and equity advantages of national standards, and their political importance, it would seem to be undesirable for national standards to disappear. However, some form of "Social Charter" seems, at present, the only effective way to ensure that this does not happen.

Appendix A

Breadth and Depth in Mathematics and Science Education

At grade 5 and 9 levels, Canadian students compare, on average, very well to international norms of science knowledge (Crocker, 1990:23) and at that grade level, almost 100 percent of the relevant age groups, in most countries, are in school and most science courses are compulsory. In many countries, however, senior high school is quite selective, and in all countries science subjects have by then become electives. Far more Canadian students remain in school at age 18 and a far higher percentage of them take science subjects than is typical in other countries. Crocker (1990:27) reports that 28 percent of English-Canadian 18 year olds take senior high school Biology, 25 percent take Chemistry and 19 percent take senior Physics. Due to greater selectivity in both school retention and course selection, the corresponding percentages of British 18 year olds taking Biology, Chemistry and Physics are 4 percent, 5 percent and 6 percent while in Japan the percentages are 12 percent, 16 percent and 11 percent respectively. Although the percentage still in school in the U.S. is higher than in Canada, very few elect to take specialized science subjects. The percentages taking senior high school Biology, Chemistry and Physics are, respectively, 6 percent, 1 percent and 1 percent. (Achievement levels of those who do take science subjects are roughly comparable to average achievement levels in English Canada). (Crocker, 1990:27)

Only Ontario and B.C. participated in the international comparisons of mathematics achievement, hence generalizations about Canadian national standards

in mathematics are not possible. However, just as in science, in those provinces a much higher percentage of 18-year olds take high school mathematics than is normal elsewhere. Robitaille (1990:9) reports that 30% of Ontario and B.C. 18 year olds take Grade 12 mathematics, compared to 12% of U.S. and Japanese and 6% of U.K. 18 year olds still taking mathematics. Average achievement levels in Canada are lower than those elsewhere, in part because topics which are normally a major part of the high school curriculum elsewhere (e.g. calculus) are only cursorily covered, if at all, in Canadian high schools.

Clearly, given the dramatic differences between the exposure of Canadian and American youths to mathematics and science subjects in senior high school, one should not import uncritically the rhetoric of the U.S. debate on educational standards and scientific/technical competitiveness. Comparisons of average achievement in science knowledge with other countries must also be treated with extreme caution. The underlying test instruments were not constructed to differentiate the achievement of very good students, hence one cannot use the international comparison studies to say how the best 5 percent of Canadian students compare to the best 5 percent elsewhere. Greater selectivity is clearly a major reason for the differences in overall average scores in science or mathematics achievement, across countries.

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